

Message Text

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C O N F I D E N T I A L LIMA 5070

EO 11652: GDS
TAGS: ENRG, EINV, PE
SUBJ: OCCIDENTAL MANAGEMENT AWAITS RESPONSE TO
THROUGH-PUT PROPOSAL

REF: LIMA 4155

1. LOCAL OXY MANAGER HAS INFORMED EMBASSY OFFICER THAT OXY HAS NOW MADE A COUNTER-PROPOSAL TO PETROPERU FOR THE COST OF THE COMPANY'S USE OF THE PETROPERU MAIN LINE. WITHOUT MENTIONING FIGURES, HE SAID THAT THE PROPOSAL IS AN EQUITABLE FIGURE WHICH, IF ACCEPTED, WOULD ENABLE OXY TO WORK OUT THE REST OF ITS FINANCING PACKAGE. PETROPERU RECEIVED THE OXY OFFER POLITELY AND IS NOW STUDYING IT. OXY MANAGER DOES NOT KNOW WHEN OR WHAT PETROPERU'S RESPONSE WILL BE, BUT BELIEVES THAT PETROPERU IS NOW CONVINCED THAT IT HAS TO REACH AN AGREEMENT WITH OXY, SINCE PETROPERU ITSELF DOES NOT HAVE SUFFICIENT RESERVES TO JUSTIFY THE PIPELINE.

2. IN THE LATTER REGARD, MANAGER SAID THAT HIGH-RANKING PETROPERU OFFICIAL HAS ADMITTED AS MUCH TO HIM PERSONALLY AND THAT HE THINKS A FINAL AND FAVORABLE SOLUTION TO THE THROUGH-PUT ISSUE MAY BE IN THE OFFERING. "ALL OF THIS, OF COURSE," HE NOTED, "DEPENDS ON THE MOOD OF MINES MINISTER FERNANDEZ MALDONADO AND EVENTUALLY OF THE PRESIDENT." OXY MANAGER SAID THAT OXY HEADQUARTERS HAS POSTPONED SEEKING FINANCING FOR THE SPUR LINE UNTIL THE THROUGH-PUT ISSUE IS SETTLED, SINCE THE COMPANY CANNOT EVEN CALCULATE ITS CASH FLOW, MUCH LESS ITS OVERALL
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ECONOMIC PROSPECTS, WITHOUT SETTLEMENT OF THE FIRST ISSUE.

3. OXY MANAGER SAID HE HAS HAD NO RECENT PRESSURE PUT ON HIM, AND RELATIONS WITH PETROPERU ARE NORMAL. HE DOES WONDER, HOWEVER, WHY GOP BUREAUCRACY IS NOT MOVING FASTER, SINCE PETROPERU REALIZES FULL WELL THAT IF OXY BEGAN TO BUILD ITS SPUR LINE TODAY IT COULD NOT FINISH IT IN LESS THAN 18 MONTHS, THE TIME AT WHICH THE MAIN PIPELINE IS EXPECTED TO BE COMPLETED. WITHOUT OXY'S OIL, HE MAINTAINED, THE PIPELINE IS GOING TO PROVE A COLOSSAL EMBARRASSMENT TO THE GOP.

4. OXY MANAGER ALSO SAID THAT EXCEPT FOR ONE INSTANCE SEVERAL MONTHS AGO, NO ONE AT PETROPERU HAS EVER MENTIONED THE POSSIBILITY OF AN EXPROPRIATION OF HIS COMPANY AND, UNDER THE PRESENT CIRCUMSTANCES, HE DOESNOT FORESEE SERIOUS PROBLEMS, UNLESS THE THROUGH-PUT ISSUE BECOMES A GENUINE STUMBLING-BLOCK.

5. COMMENT: INFORMATION FROM OXY MANAGER INDICATES THAT PRESSURES REPORTED EARLIER ON THE COMPANY MAY HAVE ABATED SOMEWHAT FOR THE TIME BEING, BUT THERE HAS BEEN NO RESOLUTION TO THE OUTSTANDING ISSUES FACING BOTH THE GOP AND OXY. COINCIDENTALLY, LIMA PRESS YESTERDAY PUBLISHED NOTICE FROM BRITISH PETROLEUM'S LONDON HEADQUARTERS THAT BP HAS OFFICIALLY NOTIFIED GOP IT IS TERMINATING ITS ACTIVITIES IN PERU, AND SEVERAL COMPANIES ARE EXPECTED TO FOLLOW SHORTLY. AS REPORTED PREVIOUSLY, WITH OXY THE ONLY FOREIGN COMPANY SO FAR TO HAVE FOUND OIL, IT REMAINS IN AN EXPOSED POSITION.
DEAN

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